

MAINTENANCE LEVEL 2

M2-MD CSP Lease Rate Increase

RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests \$709,000 (\$271,000 GF-State) in the 2016 Supplemental to cover the lease rate increase for the Cherry Street Plaza (CSP) beginning March 1, 2016 through the end of the 2015-2017 biennium.

PACKAGE DESCRIPTION

According to the payment schedule for Lease SRL 05-0029, executed February 1, 2006, the monthly rent for the Cherry Street Plaza (CSP) building shall increase to the fourth and final tier beginning March 1, 2016:

- Current monthly payment schedule March 1, 2011 – February 29, 2016: \$325,133.17
- Increased monthly payment schedule March 1, 2016 – February 28, 2021, \$369,416.66

This scheduled increase results in an additional cost of \$44,283.49 per month. The impact in fiscal year 2016 will be four months of increased lease payments, then a full year in fiscal year 2017 continuing until the end of the term in fiscal year 2021.

The rate increase was agreed upon when the lease agreement was executed on February 1, 2006. This is the fourth and final tier of the agreed lease schedule.

At 161,200 square feet, CSP is the main facility for the HCA and is currently configured to house over 900 FTEs and has space for 522 vehicles in an attached parking garage.

Darla Gehrke, Financial Services Division: 360-725-0456 or darla.gehrke@hca.wa.gov

Jody Costello, Employee Resources Division: 360-725-1937 or jody.costello@hca.wa.gov

FISCAL DETAILS/OBJECTS OF EXPENDITURE

	FY 2016	FY 2017	Total
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ 68,000	\$ 203,000	\$ 271,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 97,000	\$ 290,000	\$ 387,000
Fund 418-1 HCA Admin Account	\$ 13,000	\$ 38,000	\$ 51,000
Total	\$ 178,000	\$ 531,000	\$ 709,000

	FY 2016	FY 2017	Total
2. Staffing:			
Total FTEs	-	-	-
	FY 2016	FY 2017	Total
3. Objects of Expenditure:			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ 178,000	\$ 531,000	\$ 709,000
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ 178,000	\$ 531,000	\$ 709,000
	FY 2016	FY 2017	Total
4. Revenue:			
Fund 001-C GF-Federal Medicaid Title XIX	\$ 97,000	\$ 290,000	\$ 387,000
Total	\$ 97,000	\$ 290,000	\$ 387,000

NARRATIVE JUSTIFICATION

WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

As the HCA's primary facility, continuation of this lease is vital to the proper functioning of the agency.

PERFORMANCE MEASURE DETAIL

Activity Inventory

H001 HCA Administration

IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?

Yes, CSP is the Agency's primary facility, housing the majority of the HCA's employees.

DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?

Yes, as the primary facility, it houses the employees that provide support to a number of the Governor's Results Washington priorities. Specifically, Goal Four: Healthy & Safe Communities in which HCA is a leader in ensuring Washington State residents have access to health care and improved quality of life.

WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?

None

WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?

No other alternatives were considered. The HCA is legally obligated to fulfill the lease agreement terms until February 28, 2021. The agency requires this space in its entirety.

WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

Without the additional resources requested, the HCA may reduce or eliminate critical functions or services to free spending authority to cover this additional expense.

WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?

None

WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?

None

EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS

REVENUE CALCULATIONS AND ASSUMPTIONS:

The anticipated federal funds needed to support this request are based on the historical proration of lease costs between the different fund sources.

EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

The incremental increase in expenditures is based on the difference between base funding in the enacted budget and expected expenditures after March 1, 2016. The impact in fiscal year 2016 includes four months of increased lease payments of \$44,283.49 per month, for an annual total of \$177,134. Fiscal year 2017 will have 12 months at an increased cost of \$44,283.49 per month for an annual total of \$531,402.

DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

Ongoing costs will be for the remainder of the lease from July 1, 2016 until the end of the term on February 28, 2021 at the new rate of \$369,416.66 per month.

BUDGET IMPACTS IN FUTURE BIENNIA:

There will be no scheduled changes to lease payments until end of "Tier Four" term on February 28, 2021. Agency facility needs will be determined prior to the end of this term.

